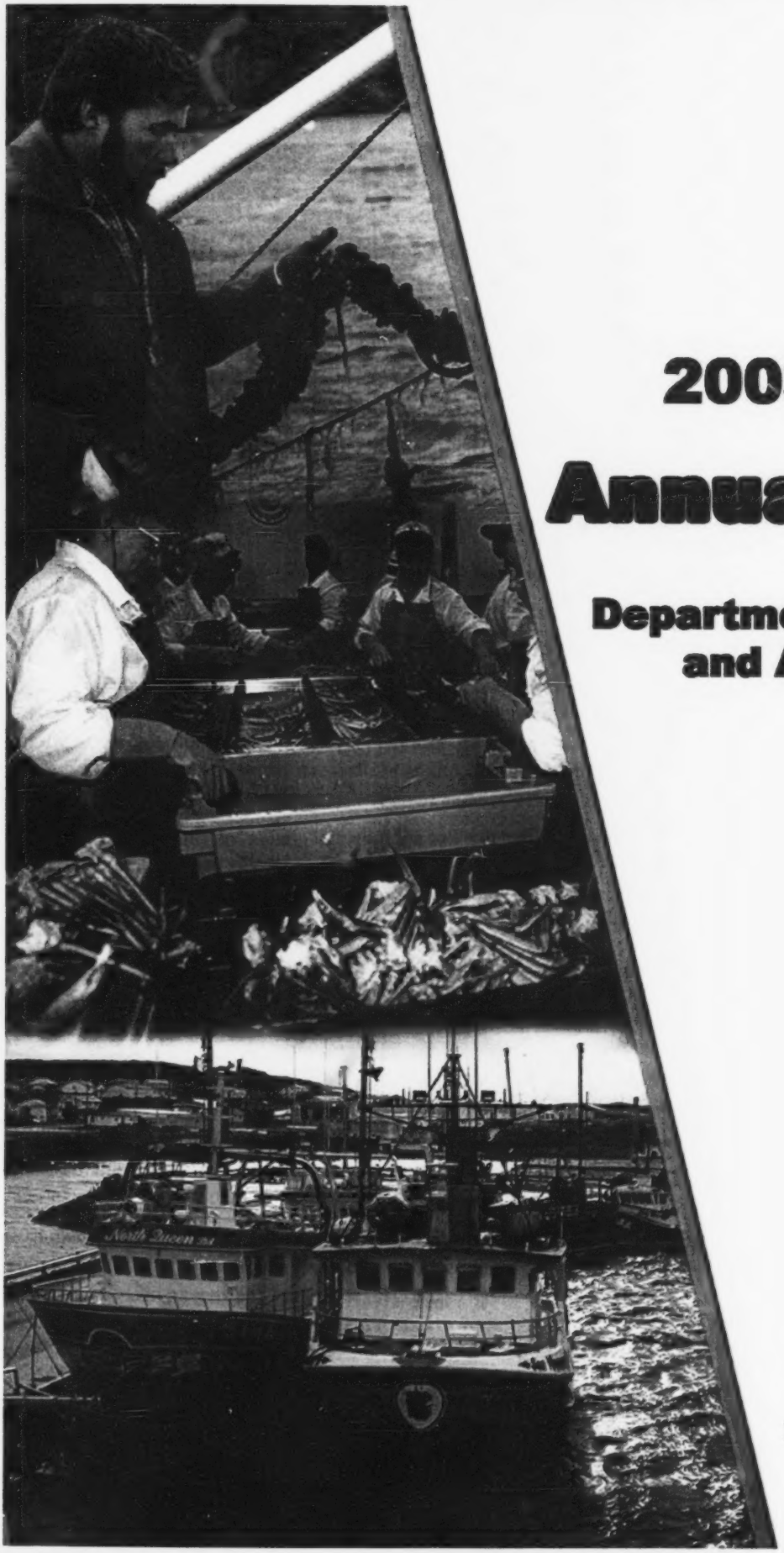

2003 - 2004

Annual Report

Department of Fisheries and Aquaculture

GOVERNMENT OF
NEWFOUNDLAND AND LABRADOR

The Department of Fisheries and Aquaculture

Annual Report 2003-04

(April 1, 2003 - March 31, 2004)

In accordance with Government's commitment to full disclosure and accountability, I am pleased to submit to the House of Assembly the 2003-04 Annual Report for the Department of Fisheries and Aquaculture.

The Department is mandated to promote and support professional and sustainable fisheries and aquaculture industries for the benefit of Newfoundlanders and Labradorians, while representing the province's interests in our most valuable and precious resource, the fishery.

The fishing industry continues to face many challenges and structural issues. In response to this, Government is about to introduce a new processing policy framework that should alleviate some of the pressures placed on the industry. In order to overcome some of the structural problems facing the fishery, the spirit of co-operation and communication that currently exists between all industry stakeholders must continue.

TREVOR TAYLOR, M.H.A.
Minister

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Departmental Overview

Vision

The Newfoundland and Labrador fishing and aquaculture industries will:

- be viable, private-sector driven and sustainable;
- lead in the production of a diversified mix of high-quality products;
- command premium prices in the international marketplace; and
- be recognized as professional and vibrant contributors to the well-being of the province.

In support of this vision, the Department will deliver high-quality and cost-effective programs and services in partnership with industry stakeholders and other government departments and agencies.

Mission

To support and promote the development of sustainable and viable fishing and aquaculture industries, which produce high quality and high value products.

The Department will achieve this by providing industry participants, other government organizations and the general public with programs and services in the areas of fisheries and aquaculture development, quality assurance, processing and aquaculture capacity management, and information services.

Legislative Authority

The Department administers and is governed by the following legislation:

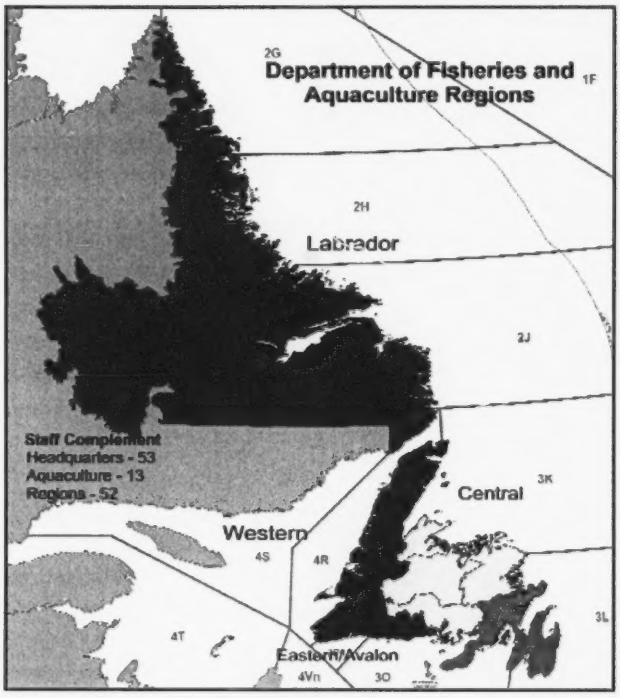
- *Fish Inspection Act*
- *Fisheries Act*
- *Fisheries Restructuring Act*
- *Aquaculture Act*
- *Professional Fish Harvesters Act*
- *Fishery Products International Act*

Lines of Business

- Licensing of fish processing operations, fish buyers and aquaculture facilities.
- Fishing industry and aquaculture development and diversification.
- Quality assurance, inspection and regulatory enforcement.
- Infrastructure support.
- Policy development and planning.
- Communications, advocacy and information services.

Departmental Profile

The Department of Fisheries and Aquaculture consists of three branches: Policy and Planning, Fisheries, and Aquaculture. The Department has a total staff complement of 118 employees including permanent, temporary and seasonal staff. The Aquaculture Branch headquarters is in Grand Falls-Windsor where there are 13 staff. Regional Aquaculture offices are located in Bay d'Espoir, Corner Brook and St. John's.

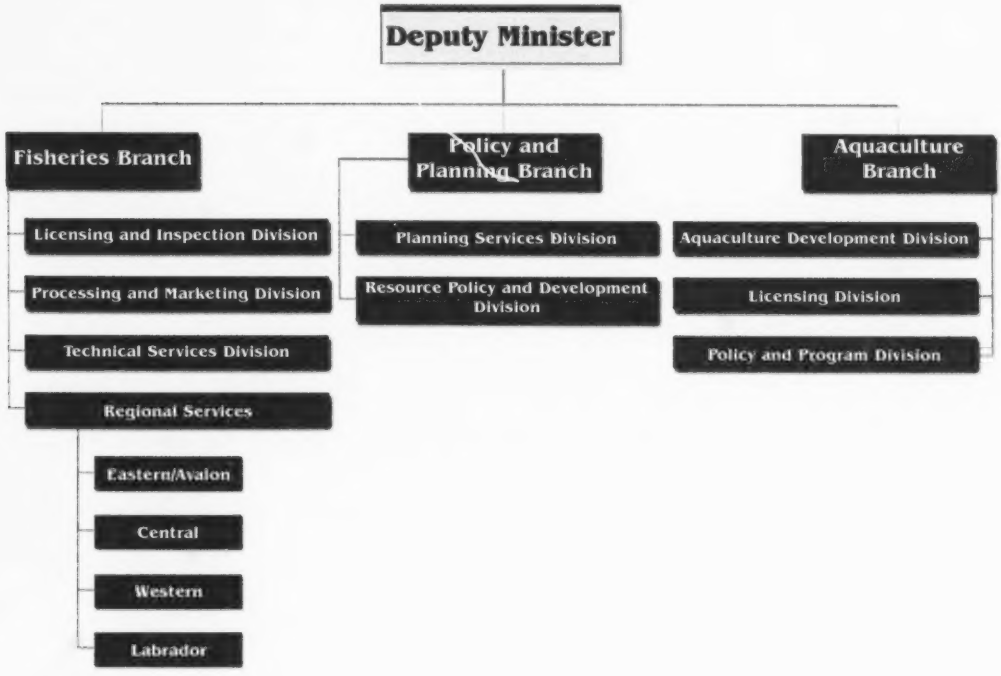


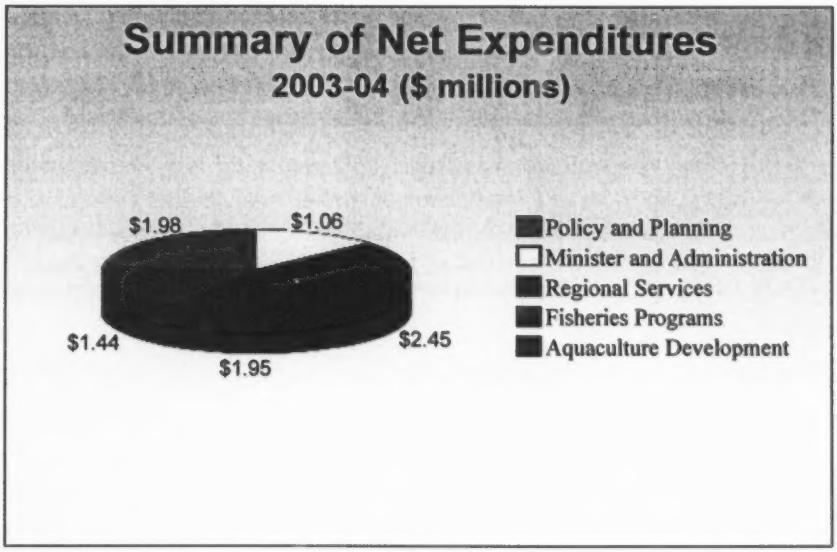
The Department's headquarters is located in St. John's where there are 53 staff.

Regional offices are situated in Grand Bank (Avalon/Eastern), Grand Falls-Windsor (Central), Port Saunders (Western), and Happy Valley/Goose Bay (Labrador). There are 52 staff in the four regions.

The net expenditure for 2003-04 was $8.9 million, while the gross expenditures totalled $9.1 million. Approximately $1.06 million of the Department's budget was expended on to the Minister's Office and General Administration. Policy and Planning comprised $1.98 million (including $500,000 for development and diversification initiatives). Some $2.45 million was expended on Regional Services (including assistance to certain fish buying and processing facilities in Labrador and other costs associated with maintaining Marine Service Centres, community stages and other fisheries facilities). Fisheries Programs comprised $1.95 million of the 2003-04 net expenditure, and approximately $1.44 million was expended on to Aquaculture Development.

Department of Fisheries and Aquaculture
Branch/Division





Shared Commitments

The Department of Fisheries and Aquaculture works with many departments, agencies and groups to fulfill its mandate. The Department co-operates with the Department of Innovation, Trade and Rural Development by providing input and analysis on fisheries-related proposals submitted to that department. It also works closely with the Department of Labour by supplying marketing and fish pricing information for the collective bargaining process to establish fish prices.

Fishing and Aquaculture Industry Stakeholders

The Department consults and works regularly with a range of key industry stakeholders, including industry associations, such as the Association of Seafood Producers (ASP) and the Fish, Food, and Allied Workers/Canadian Auto Workers Union (FFAW/CAW), on strategic and policy issues of importance to the industry. Input is sought from these groups and others on specific issues and developments in the industry to ensure that their interests and positions are considered. The Department also consults the Professional Fish Harvesters Certification Board on matters relating to the professionalization and certification of harvesters.

In the Aquaculture sector, the Department's main stakeholder is the Newfoundland Aquaculture Industry Association.

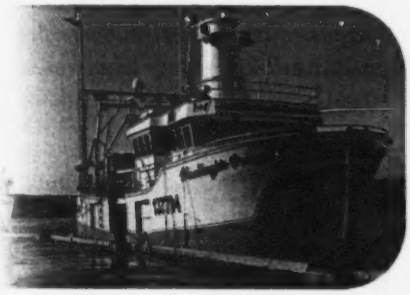
The Government of Canada

The Department liaises and works with its federal counterpart, the Department of Fisheries and Oceans (DFO), on a range of licensing issues, fisheries management and conservation policies, and fisheries development initiatives. The Department is responsible for licensing fish processing plants in the province, while the Canadian Food Inspection Agency (CFIA) has responsibility for certification of the plants for export purposes.

To promote the development of the aquaculture industry, the Department works closely with the Atlantic Canada Opportunities Agency and the Department of Fisheries and Oceans.

The Department participates with the federal government in various resource management policy initiatives. It is represented on the Fisheries Resource Conservation Council (FRCC) and attends and contributes regularly to the Northwest Atlantic Fisheries Organization's (NAFO) conferences and meetings. The Department represents the Province's interests on a range of federal

policy development initiatives and ensures that industry and provincial views are represented in international and internal trade policy, foreign fishing policy, emerging fisheries, aquaculture development and other issues of concern that may arise. In addition, the Department works with the Atlantic Canada Opportunities Agency (ACOA) by providing input and comments regarding the viability of general fisheries. It also provides financial and policy input on various fisheries-related proposals received by that agency.



The Department participates with its federal counterparts on issues related to aquaculture and liaises with the federal Office of the Commissioner for Aquaculture Development (OCAD) and the Office for Sustainable Aquaculture (OSA).

In August 2003, the Province, through the Department of Fisheries and Aquaculture, established a partnership with the Government of Canada to develop a Cod Recovery Strategy for stocks adjacent to Newfoundland and Labrador.

The Department also provides input on federal policy and decision making on aquaculture development and regulation. Input was provided on the implementation of the Federal Aquaculture Policy Framework to promote the interests of the province's aquaculturists.

The Department also participates in international forums on aquaculture such as the North Atlantic Salmon Conservation Organization (NASCO).

Highlights and Accomplishments

In August 2003, the Province, through the Department of Fisheries and Aquaculture, established a partnership with the Government of Canada to develop a Cod Recovery Strategy for stocks adjacent to Newfoundland and Labrador.

The Department of Fisheries and Aquaculture participated in several significant highlights and accomplishments during 2003-2004 which positively impacted the fishing and aquaculture industries, specifically:

- Minister Trevor Taylor held his first official meeting with the newly appointed Minister of Fisheries and Oceans, Geoff Regan, at St. John's, in January 2004. The Ministers participated in a Northwest Atlantic Fisheries Organization (NAFO) surveillance flight to the 200-mile limit. Minister Taylor addressed international fisheries issues, the need for a 2004 fishery in 4RS3Pn, the Cod Recovery Initiative, tariffs, science and aquaculture issues. He also relayed the concerns of Newfoundland and Labrador about foreign fishing and the ineffectiveness of NAFO and its ability to control the fishing activities of foreign vessels.

- Premier Danny Williams and Minister Trevor Taylor met with Minister Regan in March 2004 to discuss several key issues such as custodial management, salmon poaching, aquaculture, the cod closure and the seal harvest. The Government of Newfoundland and Labrador continues to support custodial management of stocks which straddle the 200-mile limit. This meeting represented an opportunity for the provincial government to clearly articulate its position on this important issue, as well as convey various concerns to Minister Regan about the fishery in our province.

Minister Taylor announced a renewal of the Province's fish processing policy in February 2004.

- In response to the shrimp industry's inability to reach a pricing agreement and to address structural problems facing the industry, the province was working towards the introduction of a hail-at-sea electronic auction for shrimp during the early part of 2004. Minister Taylor was pleased that a collective agreement on shrimp was achieved between the Fish, Food and Allied Workers (FFAW) and the Association Seafood Producers (ASP). He reiterated his support for, and belief in, an industry-led solution for an orderly fishery.
- Minister Taylor announced a renewal of the province's fish processing policy in February 2004 and endorsed, in principle, the *Final Report of the Fish Processing Policy Review Commission* (the Dunne Report) as the basis for this renewal. For further information on the Dunne Report, please refer to the insert, *Special Discussion: Dunne Report and a Renewed Fish Processing Policy*, on page 10.

- In response to the Dunne Report, Government will soon announce the establishment of an Independent Fish Processing Licencing Board which will review fish processing licence requests. The Board will be guided by a new, open and transparent licencing policy framework and will provide licencing recommendations to the Minister of Fisheries and Aquaculture.
- The Department continued to provide financial support to the Memorial University of Newfoundland's Fisheries Conservation Chair in 2003-2004.
- The Department and Government continued to fight trade barriers, making several representations to the Department of Foreign Affairs and International Trade (DFAIT) and DFO, regarding the restrictive European Union (EU) tariffs imposed on coldwater shrimp and ground fish products.
- Minister Tom Osbourne and Minister Taylor released Mr. David Jones' report entitled, ***A Framework For Stability***, on the review of

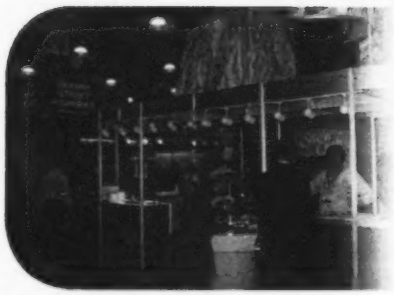
the Fishing Industry Collective Bargaining Act in December 2003. The report recommended the continuation of the Final Offer Selection (FOS) collective bargaining model as the preferred method of establishing prices in the fishery and contained other recommendations to modify and improve the current FOS system.

- Minister Taylor, in co-operation with the Newfoundland Aquaculture Industry Association (NAIA), declared February 9-15, 2004 as the first Aquaculture Week in Newfoundland and Labrador. The Minister spoke of the considerable optimism about aquaculture in the province and indicated that the Newfoundland and Labrador government sees aquaculture as an economic growth opportunity for coastal communities.
- Egg-to-plate, or full-cycle cod aquaculture, is proceeding with positive results and advances are being made in hatching, early rearing and in cage growout. In the summer of 2003, 150,000 cod fry were stocked into an aquaculture site in Fortune Bay. This was the largest cod fry transfer to a marine grow-out site to date in Newfoundland and Labrador.
- A national Marine Species Commercialization Forum was held during Aquaculture Week in St. John's. The forum focussed on the potential for the commercial development of Atlantic cod, halibut, haddock and sablefish in Canada.
- The salmonid industry continued the trend of increasing the emphasis on the production of Atlantic salmon instead of steelhead.
- The Aquaculture Branch implemented an investment prospecting campaign that targetted investors in Canada and Norway, while raising the profile of the Newfoundland and Labrador aquaculture industry on the international stage.
- The 2003 Seafood Industry Year in Review was released at the International Boston Seafood Show held March 14-16, 2004. The show is an opportunity to showcase Newfoundland and Labrador seafood and it is billed as North America's premier seafood event. The Government of Newfoundland and Labrador has participated in this show since 1981. Promotional activities include: private meetings with seafood customers, the Department's trade show booth, and a Newfoundland and

Labrador annual seafood industry reception. Minister Regan and the Canadian Consul General in Boston, several Provincial and Territorial Cabinet Ministers, along with over 400 guests from Canada, United States, Europe and Asia attended the reception and sampled Newfoundland and Labrador seafood in a business networking environment.

The Government of Newfoundland and Labrador believes that Canada must investigate alternatives to the current NAFO management regime.

- Participation in the Boston Seafood Show has contributed to an increased awareness of the quality and versatility of provincial seafood products (especially coldwater shrimp). Shows like these increase networking opportunities and enable companies, particularly small and medium-sized firms, to introduce new seafood products and receive increased publicity.
- Minister Taylor met with the federal Minister of Fisheries and Oceans, Mr. Geoff Regan, during the Boston Seafood Show, and stressed to the Minister the importance of federal investment in our aquaculture industry. Reiterating the province's position, he also stressed that a limited cod fishery should be opened in the northern Gulf of St. Lawrence. He also highlighted the need for a 'conservation first' approach to the management of our snow crab resource.
- Minister Taylor continued to focus on foreign overfishing and custodial management in his discussions and meetings with the federal minister. The Government of Newfoundland and Labrador believes that Canada must investigate alternatives to the current NAFO management regime and maintains that custodial management is a viable option to conserve our precious fishery resources. Premier Williams continued to raise the issue of custodial management with the Prime Minster.



Key Achievements and Priorities

In the Department's business plan, a number of strategic issues were identified representing the most significant challenges and opportunities for the Department and its clients.

1. Balancing Processing Capacity with Resource Availability

The Department strives to promote a viable and self-reliant fish processing sector with a regional balance between processing capacity and resource availability.

Priorities and Strategies

To help achieve a viable processing industry, the Department reduced the number of fish plants by:

- eliminating government financial support to processing companies for the production of primary products; and
- permitting the transfer of processing licences to consolidate two or more plants.

Government recognizes that there will be a rationalization of the fishing industry and takes the position that it must be proactive in managing this rationalization.

As previously stated, Government endorsed the recommendations contained in the Dunne Report. The report's Commissioner proposed the following objectives for government's involvement with the processing sector:

- To provide the regulatory conditions for a stable and competitive processing sector to exist with minimal public support;
- To ensure employment levels that provide adequate incomes;
- To promote co-operation in the industry that enhances product quality and optimizes total returns from processing available fish resources; and
- To seek a degree of balance between regional resource availability and regional processing capacity so that viable fish processing activities contribute positively to rural economic conditions.

Progress and Accomplishments

Through Departmental processing licensing policies and strategies, the following occurred in 2003:

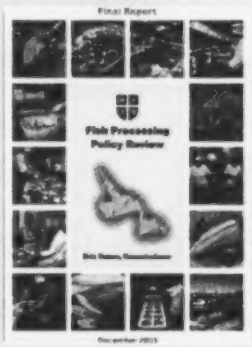
- Primary processing licences declined from 213 in 1997 to 122 in 2003.
- In 1997, in response to an increase in the snow crab resource, Government issued new snow crab processing licences. Prior to this decision, there were 21 active snow crab operations; in 2003, there were 40.
- Government announced that it will replace the current core/non-core licensing approach with a species-by-species licensing regime.

Government recognizes that there will be a rationalization of the fishing industry and takes the position that it must be proactive in managing this rationalization.

2. Maximizing the Value of Newfoundland and Labrador Fisheries and Aquaculture Resources on a Sustainable Basis

The Department's goal is to maximize the returns to the province's economy from all of its fish resources by providing services and implementing policies and procedures to achieve this objective.

Special Discussion: Dunne Report and a Renewed Fish Processing Policy



On February 4, 2004, Trevor Taylor, Minister of Fisheries and Aquaculture, released the Final Report of the Fish Processing Policy Review Commission. Government has approved the report, in principle, as the basis to renew the province's fish processing policy. The need for a new policy was driven, in part, by a shift from groundfish to shellfish as the main species, a less labour-intensive sector, an aging workforce, and a population migrating within the province.

The report was commissioned in June 2003 to conduct a policy review of the province's management of the fish processing sector. Commissioner Eric Dunne delivered his final report with 25 recommendations on December 15, 2003.

The Dunne Report forms the basis for a renewed fish processing policy in four broad categories:

- Development of a new policy framework in 2004 to be more open and transparent, attempt to eliminate latent capacity in the industry and make processing plants more accountable to government. The report recommends that the framework include: establishing an arms-length fish processing licensing board, as well as a formal industry-government policy advisory committee; elimination of inactive and cancelled processing licences; adoption of a species licensing system linked to resource thresholds; establishing criteria for new licences and licence transfers; a requirement for processors to submit annual processing plans; and, an annual requirement to report corporate shareholders in fish processing companies.

- Development, in consultation with industry, of a pilot project for sharing of raw material by the processing sector for which a proposal would have to come from a group of processors representing at least three-quarters of the active processing licence holders.

- Continuation and strengthening of the Quality Assurance Program, including the development of further quality standards, increased inspection activity and additional training for inspectors and others handling fish products.

- A review and revision of the department's legislative and regulatory framework as set out in the *Fish Inspection Act* and its regulations. The report makes proposals to increase the requirement for crab processing, develop an enforcement program, monitor crab exports and implement a ticketing system for enforcement purposes.

In making his recommendations for overall policy changes, Mr. Dunne also addressed issues relating to labour supply, employment levels that provide adequate incomes and challenges arising from migration within the province.

Minister Taylor expects the new policy framework to be completely operational for 2005.

Priorities and Strategies

Through its licencing policies and programs, the Department supported the industry to maximize production value through:

- the development of underutilized species;
- the improvement of the quality of species harvested;
- the improvement of the types of products produced and the production of higher valued products;
- an increase in market access for Newfoundland and Labrador fish products; and
- a decrease in the amount of discarded fish by-products.

The Province invested $500,000 of provincial funds for industry diversification and development work.

Progress and Accomplishments

The Department undertook several fisheries development initiatives in 2003 to assist in the diversification and development of the industry. The availability of federal/provincial cost-shared funds (most notably the $10 million Fisheries Diversification Program, (FDP) has accelerated such work over the past few years. With the expiration of the FDP in March 2003, the Province invested $500,000 of provincial funds for industry diversification and development work. Specific initiatives undertaken in 2003 include:

- **Inshore Shrimp** - The Department undertook a major initiative this past year to improve the quality of shrimp being landed by inshore vessels. A comparison of boxing shrimp onboard versus the current bagging method was undertaken. As well, a study was undertaken to improve the size of shrimp being landed through trawl modifications. Preliminary results suggest that shrimp stored in boxes immediately after harvesting, handled and iced properly, maintain a higher quality over bagged product.
- **Sea Urchin** - Three sea urchin projects were undertaken in Labrador which included work on harvesting techniques, processing methods and quality development. The possibility exists for the development of a sea urchin fishery along the Labrador coast.
- **Sea Cucumber** - Four sea cucumber projects were completed involving resource identification on the west coast and southern Labrador, onboard handling and quality initiatives on the south coast, the development of improved processing equipment, and resource mapping on St. Pierre Bank. Preliminary results from the sea cucumber survey on the west coast and southern Labrador were very encouraging.

Other work completed by the Department in 2003 included a whelk resource survey on the Burgeo Bank and various development projects

which focused on fish by-products and jellyfish. In an effort to maximize the value and utilization of Newfoundland and Labrador fisheries and aquaculture resources on a sustainable basis, the Department undertook the following activities in 2003:

Quality improvement workshops for crab, shrimp and cod conducted in co-operation with industry resulted in enhanced quality fish.

- Quality improvement workshops for crab, shrimp and cod conducted in co-operation with industry resulted in enhanced quality fish. The Department's Quality Assurance Program continued to receive widespread support throughout the industry, with the Department conducting its own quality assessments and completing 6,780 inspections.
- The Department promoted Newfoundland and Labrador seafood at various international and national seafood marketing and promotional expositions such as the International Boston Seafood Show, the International West Coast Seafood Show (Los Angeles), the European Seafood Exposition (Brussels), and the Newfoundland and Labrador Marine Show.

3. Maximizing the Economic Potential of the Aquaculture Industry

Aquaculture development in the province has made significant progress in recent years. The Department continues to work closely with the industry and the Newfoundland Aquaculture Industry Association to provide a range of technical, administrative, veterinary and planning services to maximize the economic potential of the industry. Despite facing some challenges in recent years, the increase in private-sector investment in the aquaculture sector bodes well for the continued growth of the industry.

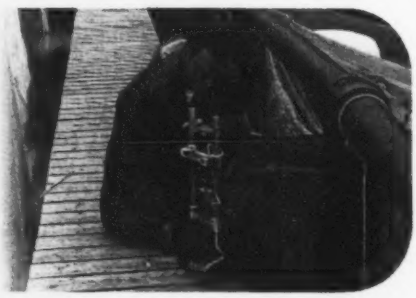
Priorities and Strategies

- To maximize aquaculture development by:
  - bringing services closer to the aquaculture industry; and
  - providing extension, technical, and veterinary services to the industry.
- To increase aquaculture production and markets through the Department's programs and policies.
- To encourage private sector investment in the industry.
- To maximize the economic value of aquaculture production by requiring the highest quality standards.

Progress and Accomplishments

- The Department continued to provide planning, technical, research and veterinary services to the industry.

- In August 2002, the Aquaculture Branch received $1 million in funding under the Canada/Newfoundland and Labrador Comprehensive Economic Development Agreement for the Aquaculture Sector Development Program. The program was completed in January 2004.
- Through the assistance of the Department:
  - Private-sector investment interest in the Bay d'Espoir aquaculture industry continued; and
  - A variety of direct industry assistance programs facilitated industry to adopt innovative technologies, upgrade employees' skills and expand upon existing markets.



4. Securing Newfoundland and Labrador's Share of Fish Resources

Over the past twenty years or more, there has been great concern over the erosion of Newfoundland and Labrador interests on matters of resource access and allocation in favour of non-Newfoundland and Labrador interests. This has increased the need for the Province to take measures to secure its share of adjacent fish resources.

Priorities and Strategies

The Department promotes the principles of adjacency and historical participation through:

- continuing to participate in the Atlantic Fisheries Policy Review (AFPR) which commenced in 1999, with Phase I of the review completed in March 2004;
- aggressively pursuing strategies to protect the province's interest in NAFO-managed stocks; and
- representing the province's interests at the Canada/France and Canada/Greenland bilaterals and other international forums and bilateral agreements.

The Province continues to hold the firm position that fish resources adjacent to this province remain for the benefit of the people of Newfoundland and Labrador.

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Progress and Accomplishments

- The Department is an ex-officio member of the External Advisory Board for AFPR and participates with industry and the Government of Canada in this policy review initiative.
- The 25th annual meeting of the Northwest Atlantic Fisheries Organization (NAFO) was held from September 15-19, 2003 in Dartmouth, Nova Scotia.

- Senior officials of the Department represented Newfoundland and Labrador as members of the Canadian delegation to NAFO. Our representatives continued to make strong representation regarding Canadian strategies to improve the management of straddling fish stocks.

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5. Supporting Community-Based Fisheries Infrastructure

There is a continuing need for community-based fisheries infrastructure to support a viable, diversified and professional fishing industry. Community groups are most knowledgeable of the local demands placed on these facilities and, with assistance from the Department, are best able to operate these facilities.

Priorities and Strategies

The Department continues to help improve the availability and condition of community-based fisheries infrastructure throughout the province by:

- maintaining special financial support for strategic community-based fisheries infrastructure; and
- divesting of government-owned fisheries facilities such as community stages and slipways to community-based organizations.

Progress and Accomplishments

- Prior to the divestiture initiative, the Department owned and administered 312 facilities, including fish plants, marine service centres, community stages and slipways. By the end of 2003, the Department had divested of 240 facilities, of which seven were divested in 2003.

- In 2003, the Department administered 141 special assistance grants to community-based organizations in all regions of the province, for a total of $376,000. This funding enabled these groups to leverage additional funds from other agencies. Typical projects included wharf and slipway repairs and infrastructure upgrading.
- There were 23 maintenance and repair projects carried out in 2003-04, for a total of $65,000, to cover projects such as repairs to department-owned baited trawl units and removal of underground fuel tanks at marine service centres.
- The Department spent $60,000 from capital funding on such things as new refrigeration equipment for baited trawl units and marine service centre upgrading work.
- Major wharf construction remains a federal responsibility and the Department continues to encourage the federal government to invest in strategically located fisheries infrastructure.

- The Department has divested of 22 of its 25 marine service centers. The remaining three are leased. Government is actively seeking to divest of this infrastructure.

6. Improving Co-operation with the Federal Government

The Department strives to develop and maintain a co-operative relationship with the federal government on significant matters and issues relating to the fishing and aquaculture sectors. This co-operative arrangement assists government and its clients, in achieving more effective delivery of programs and services, and increased benefits from marine fish resources.

Priorities and Strategies

- Improve the co-operative relationship between the Department and the federal government.
- Improve consultation, co-operation and information sharing between the Department and the federal government by participating on federal/provincial working groups and ministerial councils.

Progress and Accomplishments

- The Department works co-operatively with the federal government through a variety of federal/provincial/territorial committees, meetings, working groups, and other structures at the ministerial and officals' level. Examples include:
  - Atlantic Council of Fisheries and Aquaculture Ministers (ACFAM);
  - Federal/Provincial Atlantic Fisheries Committee (FPAFC) and working group;
  - Canadian Council of Fisheries and Aquaculture Ministers (CCFAM);
  - NAFO (the Department is a member of the Canadian delegation);
  - Regional and Atlantic-wide fisheries advisory committees;
  - Fisheries Resource Conservation Council (FRCC);
  - Regional/Zonal Advisory Process (RAP/ZAP) sessions;
  - Canada/France and Canada/Greenland bilateral meetings;
  - The Department participates in several CCFAM Task Groups relating to oceans, aquatic invasive species, aquaculture and capacity management; and
  - The Department is Chair of the Working Group on Internal Trade and actively participates in many international trade issues with the Department of Foreign Affairs and International Trade. Priority issues for the Department are European Union shrimp and groundfish tariffs and the United States Marine Mammal Protection Act (MMPA).

The Department strives to develop and maintain a co-operative relationship with the federal government on significant matters and issues relating to the fishing and aquaculture sectors.

7. Promoting Fish Stock Recovery

There is a continuing need to promote the recovery of our groundfish stocks. Many of these stocks remain at critically low levels and the Department will continue to be proactive in having this issue addressed at the federal level. In addition, there must be greater emphasis on fisheries management resources to address the overpopulated seal resource.

There is a continuing need to promote the recovery of our groundfish stocks. Many of these stocks remain at critically low levels and the Department will continue to be proactive in having this issue addressed at the federal level.

Priorities and Strategies

To promote the recovery of groundfish stocks, the Department:

- supports an increase in the total allowable seal harvest;
- participates on the Fisheries Resource Conservation Council;
- continues to make strong representations to NAFO on fisheries conservation and management issues;
- continues to believe that alternatives to the current NAFO regime, such as custodial management, must be pursued, as we continue to witness violations in foreign fishing activity outside 200 miles, which is impeding the rebuilding of several groundfish stocks; and
- supports the establishment of Total Allowable Catches (TACs) consistent with scientific advice.

Progress and Accomplishments

- The Department participated in and supported the Fisheries Resource Conservation Council (FRCC);
- The Department participated on advisory committees on fisheries management issues;
- On August 18, 2003, the Province entered into a partnership with the Government of Canada to develop a Cod Recovery Strategy for stocks adjacent to Newfoundland and Labrador.
- The Canada/Newfoundland and Labrador Action for Cod Recovery is mandated to prepare and implement a cod Recovery Strategy aimed at assisting in the recovery and sustainable management of the 2J3KL cod stock (including 2GH), the 3Ps cod stock and the 3Pn4RS cod stock.

8. Promoting the Fishery as a Professional Industry

The fishing industry is changing to become a more efficient, professional and self-sustaining industry. The Department supports the professionalization of the fishing industry and works closely with the Professional Fish Harvesters Certification Board to achieve this goal.

Priorities and Strategies

- To have the commercial fishery recognized as a profesional and self-sustaining industry.
- To recognize fish harvesters who have an economic dependence on the fishing industry.

Progress and Accomplishments

- Professionalization continues to have the support of the vast majority of fish harvesters.
- The Department continues to support the Professional Fish Harvesters Certification Board.
- The Department administers the Board's enabling legislation and is working with the Board to address weaknesses arising from a May 2003 court challenge against the Board.
- The Department continues to call on DFO to amend federal legislation to support professionalization.

9. Supporting the Implementation of New Fish Price Settlement Mechanism

The Department works with the Department of Labour on the implementation of the Final Offer Selection (FOS) process, as a means to negotiate fish prices and bring stability to the industry.

Priorities and Strategies

To ensure an efficient and equitable process, governing the fish price negotiations through FOS, the Department:

- provides the participants with up-to-date market intelligence;
- supports the negotiation and arbitration process; and
- works with the Department of Labour on legislation and other related issues.

The Department supports the professionalization of the fishing industry and works closely with the Professional Fish Harvesters Certification Board to achieve this goal.

Progress and Accomplishments

- In 2003, through the negotiation process and with the support of the Department, eight price agreements were established, five through negotiation and three by arbitration.
- The Department cost-shared fish and seafood market research with industry and provided support to ensure timely starts to all fisheries in 2003.
- A Review of the Fishing Industry Collective Bargaining Act (The Jones' Report) was released in December 2003.
- Prior to the dissolution of the Fisheries Association of Newfoundland and Labrador (FANL) in August 2003, FANL opted out of the Final Offer

Selection process reaffirming a decision made in October 2002 to abandon this interest-based bargaining model. The result of this action is that the industry returned to the price-setting model used prior to 1998.

There are new challenges that are affecting the safety and health of processing workers, fish harvesters and fish farmers... the Department works with the other departments and agencies to ensure that these issues are addressed.

10. Health and Safety in the Harvesting, Aquaculture and Processing Sectors

There are new challenges that are affecting the safety and health of processing workers, fish harvesters and fish farmers. Illnesses such as shellfish asthma are negatively affecting the health of employees. Similarly, inshore harvesters face greater risk, as they venture further offshore and aquaculturists face risks in diving and harvesting operations. The Department works with other departments and agencies to ensure that these issues are addressed.

Priorities and Strategies

- To identify and help resolve safety problems in the fishing and aquaculture industries.
- To encourage DFO to review its vessel replacement rules with a goal of allowing harvesters to use vessels which are more appropriate for today's fisheries.
- To eliminate shore-fastened moorings on aquaculture sites.

Progress and Accomplishments

The Department continued to participate in the SafetyNet initiative, a community research alliance on health and safety in marine and coastal work. Specifically, the Department supported research on:

- occupational asthma in shellfish processing workers;
- cumulative trauma disorders in snow crab processing workers; and
- fish harvesters' occupational health and fishing vessel safety.
- The Department, in co-operation with DFO, Coast Guard, and the Newfoundland Aquaculture Industry Association (NAIA), is working to ensure that all aquaculture sites are in compliance with the federal *Navigable Water Protection Act.*
- The Department identified and prioritized aquaculture sites that should be reviewed in relation to the site inspection program. In addition, close co-ordination between Canadian Coast Guard and the Department continues to ensure that both regulatory agencies are involved in addressing mooring-related issues.

Challenges and Opportunities

Building on the progress of 2002-03, the Department and the fishing and aquaculture industries will continue to respond to a number of challenges and opportunities in 2003-04.

The Department will continue to press the Government of Canada to seek alternatives to the current management regime outside of Canada's 200-mile limit.

Challenges

- The Department and the Newfoundland and Labrador fishing industry will continue to be challenged to ensure that an effective management regime is put in place for straddling fish stocks currently managed by NAFO. The Department will continue to press the Government of Canada to seek alternatives to the current management regime outside of Canada's 200-mile limit.
- The Department and the processing sector continue to seek an improved balance between processing capacity and the supply of fish available within the province.
- The recovery of groundfish stocks, particularly Gulf cod and Northern cod, remains a major objective.
- Incomplete scientific knowledge and reduced federal scientific resources remains a challenge to fisheries resource management.
- The Department will be challenged to identify new sources of funding for fisheries development and diversification.
- The lack of recovery of wild cod stocks will continue to affect the availability of wild cod for growout. The Department will continue to work with DFO and the aquaculture industry on this issue.
- Government is challenged to maximize the benefit and value from our shrimp resource in the face of the rapid growth of this sector since 1997, and the many structural problems and challenges experienced in the industry since that time.
- The existence of tariff/non-tariff barriers to international trade in fish products continues to challenge the industry, particularly the seal and shrimp sectors.
- The Department must remain vigilant to protect the province's share of fish resources adjacent to the province from various non-Newfoundland and Labrador interests.

The recovery of groundfish stocks, particularly Gulf cod and Northern cod, remains a major objective.

- Government and the sealing industry are challenged to fully develop seal resources to expand the industry and to minimize the impact that the expansion of the herds will have on the recovery of cod stocks.
- Challenges remain with the collective bargaining process to establish fish prices.
- As aquaculture development continues, it is imperative that the Department provide essential extension services. For example, as the demand for fish health services increases, cost recovery options need to be investigated.

Opportunities exist for the Aquaculture Branch to direct the existing investment campaign to the investment community in Newfoundland and Labrador.

Opportunities

- Opportunities exist for the Department to direct the existing investment campaign to the investment community in Newfoundland and Labrador. This campaign has been successful in highlighting the positive climate and opportunities for aquaculture in the Province. As a result, significant new investment has occurred and more is expected in the near future. New companies will require access to site and extension services. The Department must continue to manage this development to ensure economic viability and long-term sustainability.
- The mutually-agreed industry and government strategy developed in 2001 is expected to provide structured growth in the egg-to-plate cod sector.
- Building on the success of the Fisheries Diversification Program, fisheries development opportunities exist for underutilized species development (whelk, sea cucumber and toad crab) quality enhancement, by-product utilization and secondary processing.
- The next round of World Trade Organization (WTO) negotiations will provide the Department with an opportunity to have input into the elimination of major tariffs and non-tariff barriers.
- Significant value-added and diversification opportunities exist for the sealing industry, particularly involving the pharmaceutical, nutraceutical and fashion industries.
- The Government of Canada has an opportunity and a duty to enhance the conservation and management of straddling fish stocks through such measures as custodial management, effective implementation of the United Nations' Fisheries Agreement (UNFA), and improvements to NAFO's surveillance and enforcement measures. The Department will continue to press for such measures.

Building on the success of the FDP, fisheries development opportunities exist for new species development (whelk, sea cucumber and toad crab) quality enhancement, by-product utilization and secondary processing.

Department of Fisheries and Aquaculture

Statement (Unaudited) of Expenditure and Related Revenue Summary
For the Year Ended March 31, 2004

	Actual	Estimates Amended	Estimates Original
Executive and Support Services			
Minister's Office			
Minister's Office	$ 362,811	$ 393,600	$ 338,600
General Administration			
Executive Support	$ 701,100	$ 707,200	$ 664,700
Policy and Planning Services			
Planning and Administration	$ 815,404	$ 1,133,600	$ 706,300
Resource Policy and Development	$ 1,169,155	$ 1,237,100	$ 1,268,700
Subtotal	**$ 3,048,470**	**$ 3,471,500**	**$ 2,978,300**
Fisheries Development			
Regional Services			
Administration and Support Services	$ 2,429,206	$ 2,551,800	$ 2,505,600
Labrador Fish Plants	$ 100,000	$ 100,000	$ 100,000
Fisheries Facilities	$ (80,484)	$ 100,000	$ 100,000
Fisheries Programs			
Technical Services	$ 343,359	$ 371,800	$ 438,100
Processing and Marketing	$ 934,141	$ 1,029,600	$ 1,021,200
Licensing and Quality Assurance	$ 632,500	$ 648,100	$ 621,500
Fisheries Diversification Program			
Canada/NFLD. Agreement on Economic Development and Fisheries Adjustment	$ 36,489	$ 50,000	$ 50,000
Subtotal	**$ 4,395,211**	**$ 4,851,300**	**$ 4,836,400**
Aquaculture Development			
Administration and Support Services	$ 1,444,216	$ 1,507,700	$ 1,518,300
Total	**$ 8,887,897**	**$ 9,830,500**	**$ 9,333,000**

For Additional Information Please Contact:

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